

**POWERS-SPALDING WATER AUTHORITY**

**Annual Financial Report**

**February 28, 2005**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Powers-Spalding Water Authority</b>	County <b>Menominee</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>4/27/05</b>	Date Accountant Report Submitted to State: <b>8/15/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

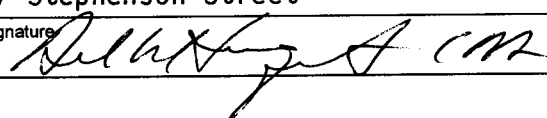
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

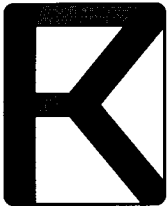
Certified Public Accountant (Firm Name) <b>Kerber, Rose &amp; Associates, S.C.</b>			
Street Address <b>1727 Stephenson Street</b>		City <b>Marinette</b>	State <b>WI</b>
Accountant Signature 		ZIP <b>54143</b>	Date <b>8/14/05</b>

**POWERS-SPALDING WATER AUTHORITY**

**Table of Contents**

**February 28, 2005**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets	2
Statement of Revenues, Expenses and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5 – 11
<b>ADDITIONAL INDEPENDENT AUDITORS' REPORT</b>	
Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12 – 13
Schedule of Findings and Questioned Costs	14



# KERBER, ROSE & ASSOCIATES, S.C.

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board Members  
Powers-Spalding Water Authority  
Powers, Michigan

We have audited the accompanying basic financial statements of the Powers-Spalding Water Authority (Authority), as of and for the year ended February 28, 2005, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented management's discussion and analysis which is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2005, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Kerber, Rose & Associates, S.C.*

**KERBER, ROSE & ASSOCIATES, S.C.**

**Certified Public Accountants**

April 27, 2005

**BASIC FINANCIAL STATEMENTS**

**POWERS-SPALDING WATER AUTHORITY**

Statement of Net Assets

Proprietary Fund

February 28, 2005

Water  
Utility

**ASSETS:**

**Current Assets:**

Cash and Investments	\$ 29,157
Accounts Receivable	11,666
Prepaid Expense	3,632
<b>Total Current Assets</b>	<u>44,455</u>

**Noncurrent Assets:**

Restricted Assets	
Bond Reserve Fund	18,238
Bond Redemption Fund	15,183
Maintenance Fund	18,238
Capital Assets	
Plant in Service	2,197,731
Accumulated Depreciation	(386,151)
Other Assets	
Unamortized Debt Issuance Cost	41,891
<b>Total Non-Current Assets</b>	<u>1,905,130</u>

<b>TOTAL ASSETS</b>	<u>1,949,585</u>
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**LIABILITIES:**

**Current Liabilities:**

Accounts Payable	1,609
Due to Other Governmental Units	9,000
Accrued Interest Payable	11,269
Current Portion of Long-Term Debt	5,000
<b>Total Current Liabilities</b>	<u>26,878</u>

<b>LONG-TERM LIABILITIES</b>	<u>596,000</u>
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<b>TOTAL LIABILITIES</b>	<u>622,878</u>
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**NET ASSETS:**

Invested in Capital Assets, Net of Related Debt	1,210,580
Restricted	51,659
Unrestricted	64,468

<b>TOTAL NET ASSETS</b>	<u>\$ 1,326,707</u>
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See Accompanying Notes

**POWERS-SPALDING WATER AUTHORITY**  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
For the Year Ended February 28, 2005

**OPERATING REVENUES:**

Service	\$ 98,213
Fees	12,000
<b>Total Operating Revenues</b>	<u>110,213</u>

**OPERATING EXPENSES:**

Operation	21,770
Administration	18,073
Depreciation	43,619
<b>Total Operating Expenses</b>	<u>83,462</u>

**OPERATING INCOME**

26,751

**NON-OPERATING REVENUES (EXPENSES)**

Investment Income	670
Interest Expense	(26,802)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(26,132)</u>

**CHANGE IN NET ASSETS**

619

**NET ASSETS - BEGINNING**

1,326,088

**NET ASSETS - ENDING**

\$ 1,326,707

See Accompanying Notes

**POWERS-SPALDING WATER AUTHORITY**

Statement of Cash Flows

Proprietary Fund

For the Year Ended February 28, 2005

Water  
Utility

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from User Charges	\$ 99,429
Cash Received from Other Governmental Units	12,000
Cash Payments to Employees	(10,335)
Cash Payments to Suppliers	(34,743)
<b>Net Cash Provided By Operating Activities</b>	<u>66,351</u>

**CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES:**

Principal Paid	(5,000)
Interest Paid	(25,803)
<b>Net Cash Used For Capital and Related Financing Activities</b>	<u>(30,803)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest Income	<u>670</u>
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**NET INCREASE IN CASH AND CASH EQUIVALENTS** 36,218

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 44,598

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 80,816

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Operating Income	\$ 26,751
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	43,619
Changes in Assets and Liabilities:	
Accounts Receivable	1,216
Prepaid Expenses	(322)
Accouts Payable	(4,913)

**NET CASH FLOWS FROM OPERATING ACTIVITIES** \$ 66,351

**RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT  
OF NET ASSETS TO STATEMENT OF CASH FLOWS:**

Amounts Per Statement of Net Assets:

Unrestricted Cash and Investments	\$ 29,157
Restricted Cash and Investments	<u>51,659</u>

**CASH AND CASH EQUIVALENTS PER  
STATEMENT OF CASH FLOWS** \$ 80,816

See Accompanying Notes



# **POWERS-SPALDING WATER AUTHORITY**

Notes to Financial Statements

February 28, 2005

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

### **INTRODUCTION**

The Powers-Spalding Water Authority (Authority), was incorporated in 1990, pursuant to Act 33, Public Acts of Michigan, 1955, as amended. The Authority operates as a jointly governed organization. The participants of the Authority are the Village of Powers, Spalding Township and Pinecrest Medical Care Facility. The Authority operates under a governing body consisting of six members, two members appointed by each participant.

The purpose of the Authority is to provide water service to the residents of the three participants.

### **REPORTING ENTITY**

The Governmental Accounting Standards Board (GASB) issued Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This statement provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless pronouncements conflict or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. The Authority has elected to apply only FASB, APB, and ARB materials issued on or before November 30, 1989, to the proprietary funds.

### **MEASUREMENT FOCUS AND BASIS ACCOUNTING**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources, as they are needed.

### **ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **Cash and Investments**

Cash and investments are combined on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purpose of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

**POWERS-SPALDING WATER AUTHORITY**

Notes to Financial Statements

February 28, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued):**

**Accounts Receivable**

The primary source of accounts receivable is from customers who are billed monthly for water services. The Authority uses the direct write off method for uncollectible amounts.

**User Charges**

The Authority charges customers of its water department for water usage based on water flow meter readings. The rates are established by the Authority and are generally based on operating costs as well as nonoperating items (such as interest expense). The Authority set the rates on May 1, 2004.

**Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

**Restricted Cash**

Cash has been set aside to provide for debt retirement and replacement of certain water plant equipment.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Business-Type Activities
	Years

Buildings, Structure and Improvements

15 - 50

**POWERS-SPALDING WATER AUTHORITY**

Notes to Financial Statements

February 28, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (Continued):**

**Capital Assets (Continued):**

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are reduced, and any gain or loss is included in operations. The depreciation expense for the year was \$43,619.

**Unamortized Bond Issuance Costs**

Bond issue costs are recorded as other assets and are being amortized over the life of the bond.

**Compensated Absences**

Under terms of employment, employees are not compensated for vacation and sick leave. Therefore, no long-term liability is recorded at year-end.

**Equity Classifications**

Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b) Restricted net assets – Amount of net assets that are subject to restrictions that are imposed by
  - 1) external groups, such as creditors, contributors or laws or regulations of other governments or
  - 2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets – Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from these estimates.

**NOTE 2 - CASH AND INVESTMENTS:**

The Authority is authorized to invest its funds in accordance with Michigan Statutes. Allowable investments are as follows:

Time deposits, Direct obligations of the United States Treasury, United States repurchase agreements, Bankers Alliances of U.S. Banks, Commercial Paper, in certain Mutual funds, and Investment pools.

**POWERS-SPALDING WATER AUTHORITY**

Notes to Financial Statements

February 28, 2005

**NOTE 2 - CASH AND INVESTMENTS (Continued):**

Deposits in banks are insured by federal insurance in the amount of \$100,000 for demand deposits and \$100,000 for time deposits.

The Authority's deposits are categorized below in accordance with GASB Standards No. 3 to give an indication of the level of credit risk assumed by the Authority at year-end. These categories do not disclose market risk, nor do they measure the risk that an insurer of securities would be unable to fulfill its obligations. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the Authority or its agent in the Authority's name.
- Category 2 - Collateralized with securities held by the pledge of financial institution's trust department or agent in the Authority's name.
- Category 3 - Uncollateralized, including any bank balance that is collateralized with securities held by the pledge of financial institutions, or its trust department or agent but not in the Authority's name.

At February 28, 2005 the Authority's balances were as follows:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Local and Area Banks	\$ 76,908	\$ -	\$ -	\$ 76,908	\$ 80,816

The Authority had no significant type of investment during the year not included in the above schedule.

For all deposits shown, the market value at the balance sheet date is substantially the same as the carrying amount. The difference between the bank balance and carrying amount is due to outstanding checks and/or deposits in transit.

**NOTE 3 - RESTRICTED ASSETS:**

Restricted assets on February 28, 2005 totaled \$51,659 held by the following purposes.

Bond Reserve	\$ 18,238
Bond Redemption	15,183
Maintenance	18,238
Total Restricted Assets	<u>\$ 51,659</u>

# POWERS-SPALDING WATER AUTHORITY

Notes to Financial Statements

February 28, 2005

## NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended February 28, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets not being Depreciated:				
Land	\$ 25,418	\$ -	\$ -	\$ 25,418
Construction in Progress	15,000	-	-	15,000
<b>Total Capital Assets not being Depreciated</b>	<u>40,418</u>	<u>-</u>	<u>-</u>	<u>40,418</u>
Capital Assets being Depreciated:				
Property and Equipment	2,157,313	-	-	2,157,313
Less: Accumulated Depreciated	342,532	43,619	-	386,151
<b>Total Capital Assets being Depreciated, Net of Depreciation</b>	<u>1,814,781</u>	<u>(43,619)</u>	<u>-</u>	<u>1,771,162</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 1,855,199</u>	<u>\$ (43,619)</u>	<u>\$ -</u>	<u>\$ 1,811,580</u>

Depreciation expense was charged to functions of the Authority as follows:

Water Utility	<u>\$ 43,619</u>
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## NOTE 5 - LONG-TERM DEBT:

The following is a summary of changes in long-term obligations of the Authority for the year ended February 28, 2005:

	Outstanding 3/1/04	Issued	Retired	Outstanding 2/28/05	Due Within One Year
Revenue Bond	<u>\$ 606,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 601,000</u>	<u>\$ 5,000</u>

Total interest during the year on long-term debt was \$26,802.

# POWERS-SPALDING WATER AUTHORITY

Notes to Financial Statements

February 28, 2005

## NOTE 5 - LONG-TERM DEBT (Continued):

	Date of Issuance	Final Maturity	Interest Rate	Original Indebtedness	Balance 2/28/05
Long-Term Obligations:					
Revenue Bond	4/19/95	4/19/35	4.5%	\$ 641,000	<u>\$ 601,000</u>

Debt service requirements to maturity are as follows:

Year Ended 2/28/05	Principal	Interest	Total
2006	\$ 5,000	\$ 26,933	\$ 31,933
2007	9,000	26,618	35,618
2008	9,000	26,213	35,213
2009	10,000	25,785	35,785
2010	10,000	25,335	35,335
2011 - 2015	60,000	118,984	178,984
2016 - 2020	77,000	103,704	180,704
2021 - 2025	100,000	82,848	182,848
2026 - 2030	127,000	58,524	185,524
2031 - 2035	194,000	26,305	220,305
Total	<u>\$ 601,000</u>	<u>\$ 521,249</u>	<u>\$ 1,122,249</u>

## NOTE 6 - NET ASSETS:

Net assets at February 28, 2005 includes the following:

Invested in Capital Assets, Net of Related Debt:	
Net Capital Assets	\$ 1,811,580
Less: Related Long-Term Debt Outstanding	<u>(601,000)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>1,210,580</u>
Restricted:	
Bond Reserve	18,238
Bond Redemption	15,183
Maintenance	<u>18,238</u>
Total Restricted Assets	<u>51,659</u>
Unrestricted	<u>64,468</u>
Total Net Assets	<u>\$ 1,326,707</u>

**POWERS-SPALDING WATER AUTHORITY**

Notes to Financial Statements

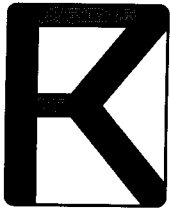
February 28, 2005

**NOTE 7 – RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Authority purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in the past year.

**ADDITIONAL INDEPENDENT AUDITORS' REPORT**





# KERBER, ROSE & ASSOCIATES, S.C.

*Certified Public Accountants*

1727 Stephenson Street • P.O. Box 75 • Marinette, WI 54143-0075  
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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board Members  
Powers-Spalding Water Authority  
Powers, Michigan

We have audited the financial statements of the Powers-Spalding Water Authority (Authority), Michigan as of and for the year ended February 28, 2005, and have issued our report thereon dated April 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Item 05-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition referred to above is not a material weakness.

### Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the FmHA audit program, and are described in the accompanying Schedule of Findings and Questioned Costs as Item 05-2.

This report is intended solely for the information and use of management, Authority Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Kerber, Rose & Associates, S.C.*

**KERBER, ROSE & ASSOCIATES, S.C.**

**Certified Public Accountants**

April 27, 2005

# **POWERS-SPALDING WATER AUTHORITY**

## **Schedule of Findings and Questioned Costs**

February 28, 2005

### **Findings – Internal Control 05-1**

Segregation of Duties – The size of the Water Authority's office staff precludes a proper segregation of functions to assure adequate internal control. This is not unusual in a Water Authority of your size, but the board should continue to be aware of this condition and to realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Under these conditions, the most effective controls lie in the Board's knowledge of matters relative to the Water Authority's operations.

### **Findings – Compliance 05-2**

The Powers-Spalding Water Authority is not in compliance with its Revenue Bond Ordinance. The ordinance provides for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. The Water Authority has not fully funded the required bond reserve account.